

**City Pension Fund for
Firefighters and Police Officers
In the City of Miami Beach**

**Financial Statements
Years Ended September 30, 2009 and 2008**



Goldstein Schechter Koch
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach
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Independent Auditors' Report

Board of Trustees
City Pension Fund for Firefighters and Police Officers in the
City of Miami Beach, Florida

We have audited the accompanying statements of plan net assets of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan"), as of September 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach as of September 30, 2009 and 2008, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the required supplementary information, as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it. The required supplementary information for the years ended September 30, 2004 through 2007 was reported on by Koch Reiss & Company, P.A., whose report states that they did not audit this information and did not express an opinion on it.

Goldstein Schechter Koch, P.A.

Hollywood, Florida
December 17, 2009



*City Pension Fund for Firefighters and Police Officers
in the City of Miami Beach*



Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2009 and 2008

Our discussion and analysis of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan") financial performance provides an overview of the Plan's financial activities for the fiscal years ended September 30, 2009 and 2008. Please read it in conjunction with the Plan's financial statements, which follow this discussion.

Financial Highlights

- Plan assets exceeded liabilities at the close of the fiscal years ended September 30, 2009 and 2008 by \$494,211,874 and \$499,788,831, respectively (reported as net assets held in trust for pension benefits). Net assets are held in trust to meet future benefit payments. The decrease of \$5,576,957 and \$71,404,730 of the respective years has resulted primarily from the changes in the fair value of the Plan's investments due to volatile financial markets.
- The Plan's funded ratio, a comparison of the actuarial value of assets to the actuarial accrued pension benefit liability, changed from 80.9% as of the October 1, 2006 valuation to 78.4% as of October 1, 2007 valuation and 74.2% as of the October 1, 2008.
- Receivables at September 30, 2009, decreased by \$369,658 (or a 10.9% decrease) due to a decrease in accrued interest and dividends and receivable for securities sold.

Receivables at September 30, 2008, increased by \$291,001 (or a 9.4% increase) due to an increase in accrued interest and dividends.

- Liabilities at September 30, 2009, increased by \$1,025,750 (or 18.3% increase) due primarily to an increase in Deferred Retirement Option Plan participants.

Liabilities at September 30, 2008, decreased by \$2,971,601 (or 34.6% decrease) due primarily to a decrease in Deferred Retirement Option Plan Participants and investment losses incurred by the Deferred Retirement Option Plan investment holdings.

- For the fiscal year ending September 30, 2009, City contributions to the Plan increased by \$2,541,950 (or 14.5% increase) based on the actuarial valuation. Actual employer contributions were \$20,039,446 and \$17,497,496 for 2009 and 2008, respectively. Contributions from the State in the amounts of \$120,549 and \$120,549 were received in the fiscal years ending 2009 and 2008, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2009 and 2008

Financial Highlights - continued

For the fiscal year ending September 30, 2008, City contributions to the Plan increased by \$2,386,628 (or 15.8% increase) based on the actuarial valuation. Actual employer contributions were \$17,497,496 and \$15,110,868 for 2008 and 2007, respectively. Contributions from the State in the amounts of \$120,549 and \$120,549 were received in the fiscal years ending 2008 and 2007, respectively. These amounts represent the annual costs of adopting certain minimum benefits mandated by the State.

- For the fiscal year ending September 30, 2009, employee contributions including buybacks and transfers increased by \$965,299 (or 17.3% increase). Actual employee contributions, including buybacks and transfers, were \$6,542,597 and \$5,577,298 for 2009 and 2008, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

For the fiscal year ending September 30, 2008, employee contributions including buybacks increased by \$383,016 (or 7.4% increase). Actual employee contributions, including buybacks, were \$5,577,298 and \$5,194,282 for 2008 and 2007, respectively. Employee contributions have fluctuated from year to year based on the number of active members.

- For the fiscal year ending September 30, 2009, the Plan had net investment income of \$6,683,121 compared net investment loss of \$58,943,570 in 2008. Actual results were \$9,154,705 and \$74,282,428 in net depreciation in fair value of investments for 2009 and 2008, respectively, and \$17,943,433 and \$17,726,162, of income from interest and dividends for 2009 and 2008, respectively. Investment expenses decreased by \$281,697 or (11.8%).

For the fiscal year ending September 30, 2008, the Plan had net investment loss of \$58,943,570 compared net investment income of \$72,272,894 in 2007. Actual results were (\$74,282,428) and \$57,642,642 in net (depreciation) appreciation in fair value of investments for 2008 and 2007, respectively, and \$17,726,162 and \$16,740,779, of income from interest and dividends for 2008 and 2007, respectively. Investment expenses increased by \$276,777 or (13.1%).

- For the fiscal year ending September 30, 2009, benefit payments and refunds of contributions increased by \$3,180,527 (or 9.1%).

For the fiscal year ending September 30, 2008, benefit payments and refunds of contributions increased by \$2,647,357 (or 8.2%).

- For the fiscal year ended September 30, 2009, administrative expenses increased by \$125,640 (or 19.6%) due primarily to increases in professional fees.

For the fiscal year ended September 30, 2008, administrative expenses decreased by \$4,744 (or 0.7%).

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2009 and 2008

Plan Highlights

For the fiscal year ending September 30, 2009, the time-weighted return of the portfolio was 1.89 % for the trailing year and ranked in the 46th percentile. Actual net returns from investments was net income in 2009 of \$6,683,121 compared with a net loss of (\$58,943,570) in 2008.

For the fiscal year ending September 30, 2008, the time-weighted return of the portfolio was -10.36 % for the trailing year and ranked in the 19th percentile. Actual net returns from investments was a net loss in 2008 of (\$58,943,570) compared with net income of \$72,272,894 in 2007.

Using the Audited Financial Statements

The financial statements reflect the activities of the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach and are reported in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. These statements are presented on a full accrual basis, reflect all plan activities as incurred and are based on a snapshot in time of account balances of investments at fiscal year end.

Statement of Plan Net Assets

The following condensed comparative Statements of Plan Net Assets demonstrate the investment position of the Plan as of September 30:

	2009	2008	2007
Investments	\$ 497,806,036	\$ 501,987,585	\$ 576,654,917
Receivables	3,022,611	3,392,269	3,101,268
Cash	20,000	20,000	20,000
Total assets	500,848,647	505,399,854	579,776,185
Liabilities	6,636,773	5,611,023	8,582,624
Net assets held in trust for pension benefits	\$ 494,211,874	\$ 499,788,831	\$ 571,193,561

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2009 and 2008

Statement of Changes in Plan Net Assets

The Statement of Changes in Plan Net Assets displays the effect of pension fund transactions that occurred during the fiscal year, where Additions – Deductions = Net Increase (or Decrease) in Net Assets. The table below reflects a condensed comparative summary of the changes in net assets and reflects the activities of the Plan for the fiscal years ended September 30:

	2009	2008	2007
Additions:			
Contributions			
City	\$ 20,039,446	\$ 17,497,496	\$ 15,110,868
Employees	6,542,597	5,577,298	5,194,282
State	120,549	120,549	120,549
Total	26,702,592	23,195,343	20,425,699
Net investment income (loss)	6,683,121	(58,943,570)	72,272,894
Total additions (reductions)	33,385,713	(35,748,227)	92,698,593
Deductions:			
Benefits paid	37,986,970	34,912,004	32,241,728
Participants' contributions refunded	208,216	102,655	125,574
Administrative expenses	767,484	641,844	646,588
Total deductions	38,962,670	35,656,503	33,013,890
Net (decrease) increase	(5,576,957)	(71,404,730)	59,684,703
Net assets held in trust for pension benefits			
at beginning of year	499,788,831	571,193,561	511,508,858
Net assets held in trust for pension benefits			
at end of year	\$ 494,211,874	\$ 499,788,831	\$ 571,193,561

The Fund's investment activity, measured as of the end of any month, quarter or year, is a function of the underlying marketplace for the period measured and the investment policy's asset allocation. Actual returns increased from 2008 fiscal year end and decreased from 2007 fiscal year end.

The benefit payments are a function of changing payments to retirees, their beneficiary (if the retiree is deceased) and new retirements during the period.

Management's Discussion and Analysis
(Required Supplementary Information - Unaudited)
September 30, 2009 and 2008

Asset Allocation

At the end of the fiscal year ended September 30, 2009, the domestic equity portion comprised 47.9% (\$235,516,259) of the total portfolio. The allocation to fixed income securities was 43.7% (\$214,400,552), while cash and cash equivalents comprised 1.0% (\$5,066,909). The portion of investments allocated to international equity was \$21,656,448 or 4.4% and to real estate was \$14,758,653 or 3.0% of the total portfolio.

At the end of the fiscal year ended September 30, 2008, the domestic equity portion comprised 46.3% (\$230,163,461) of the total portfolio. The allocation to fixed income securities was 40.8% (\$202,511,478), while cash and cash equivalents comprised 4.5% (\$22,183,513). The portion of investments allocated to international equity was \$20,582,491 or 4.1% and to real estate was \$21,391,155 or 4.3% of the total portfolio.

The target asset allocation was as follows, at September 30, 2009 and 2008:

Domestic equity	51%
Fixed income	35%
International equity	5%
Real estate equity	4%
Cash equivalents	5%

Contacting the Plan's Financial Management

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the Plan's finances and to demonstrate the Plan's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach, 1691 Michigan Avenue, Suite 355, Miami Beach, Florida 33139.

City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Statements of Plan Net Assets
September 30, 2009 and 2008

	2009	2008
Assets		
Investments, at fair value:		
Short-term obligations	\$ -	\$ 14,968,368
Money market funds	5,046,909	7,195,145
U.S. Government securities	48,079,615	61,697,272
Corporate bonds	166,320,937	140,814,206
Common stocks	194,076,975	186,689,508
Domestic equity fund	41,439,284	43,473,953
International equity fund	21,656,448	20,582,491
Real estate fund	14,758,653	21,391,155
Mutual funds self-directed DROP participants	6,427,215	5,175,487
Total investments	497,806,036	501,987,585
Cash	20,000	20,000
Receivables:		
Employee contributions	180,821	171,629
Accrued interest and dividends	2,841,790	3,079,178
Receivable for securities sold	-	141,462
Total receivables	3,022,611	3,392,269
Total assets	500,848,647	505,399,854
Liabilities		
Accrued expenses	209,558	167,373
Payable for securities purchased	-	268,163
Deferred retirement option plan payable	6,427,215	5,175,487
Total liabilities	6,636,773	5,611,023
Net assets held in trust for pension benefits	\$ 494,211,874	\$ 499,788,831
(a schedule of funding progress is presented on page 23)		

The accompanying notes are an integral part of these financial statements.

City Pension Fund for Firefighters and Police Officers
In the City of Miami Beach
Statements of Changes in Plan Net Assets
For the Years Ended September 30, 2009 and 2008

	2009	2008
Additions		
Contributions:		
City	\$ 20,039,446	\$ 17,497,496
State	120,549	120,549
	20,159,995	17,618,045
Employees:		
Contributions	5,039,349	4,919,201
Transfers in	57,999	-
Buybacks	1,445,249	658,097
Total employees	6,542,597	5,577,298
Total contributions	26,702,592	23,195,343
Investment income:		
Net depreciation in fair value of investments	(9,154,705)	(74,282,428)
Interest and dividends	17,943,433	17,726,162
Total investment income (loss)	8,788,728	(56,556,266)
Less: investment expenses	2,105,607	2,387,304
Net investment income (loss)	6,683,121	(58,943,570)
Total additions (reductions)	33,385,713	(35,748,227)
Deductions		
Benefits paid	37,986,970	34,912,004
Participants' contributions refunded	208,216	102,655
Administrative expenses	767,484	641,844
Total deductions	38,962,670	35,656,503
Net decrease	(5,576,957)	(71,404,730)
Net assets held in trust for pension benefits		
Beginning of year	499,788,831	571,193,561
End of year	\$ 494,211,874	\$ 499,788,831

The accompanying notes are an integral part of these financial statements.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 1 – Description of the Plan

Plan membership

The City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (the "Plan") was f/k/a City Pension Fund for Firemen and Policemen – City of Miami Beach and City Supplemental Pension Fund for Firefighters and Police Officers – City of Miami Beach. The former plans were merged and the name was changed to City Pension Fund for Firefighters and Police Officers in the City of Miami Beach. The Plan is a defined benefit pension plan covering substantially all police officers and firefighters of the City of Miami Beach (the "City") created under Chapter 23414, Laws of Florida, Special Acts of 1945, as amended through November 4, 2003.

The following is a brief description of the Plan provided for general information purposes only. Members should refer to the Plan document for more complete information. The Plan document governs in the event a question arises.

Service retirement benefits

Any member may retire on a service retirement pension upon the attainment of age 50 or, if earlier, the date when age and length of creditable service equals to at least 70 years.

Upon retirement, a member will receive a monthly pension, payable for life, equal to 3% of the average monthly salary for each of the first 15 years of creditable service and 4% of the average monthly salary for each year of creditable service in excess of 15 years, provided that the pension does not exceed 90% of the average monthly salary. The average monthly salary of the member is computed based on the salary for the two highest paid years prior to the date of retirement or the average of the last 2 paid years to the member prior to the date of retirement.

Disability benefits

Service connected – Any member who becomes totally and permanently disabled at any time as a result of illness or injury suffered in the line of duty may be retired on an accidental disability pension. For a service connected disability, the minimum pension payable is 85% of monthly salary of the member at the time of disability retirement, less any offset for worker's compensation.

Non-service connected – Any member who becomes totally or permanently disabled after 5 years of creditable service as a result of illness or injury not suffered in the line of duty may be retired on an ordinary disability retirement pension. Upon disability retirement, a member receives a monthly pension equal to their service retirement benefits. For a non-service connected disability, the pension is the accrued benefit after 5 years of creditable service.

Death benefits

The Plan also provides benefits for beneficiaries of members for service connected and non-service connected death.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 1 – Description of the Plan - continued

Cost of living adjustment

In conformity with Sec. 67 of the Plan all retirees and beneficiaries receiving a monthly pension for at least 1 year will receive a 2.5% increase in benefits the next following October 1st.

Refund of employee contributions

If a member resigns or is lawfully discharged before retirement, their contributions with 3% interest per annum are returned to them. The Plan also provides a special provision for vested benefits for employees who terminate after 10 years of service.

Membership

At October 1, the Plan membership consisted of:

	2008	2007
Active Members	487	482
Deferred Vested Members	14	17
Retired Members:		
a. Service	441*	420*
b. Disabled	62	61
c. Beneficiaries	98	91
	601	572
Total	1,102	1,071

*Including members in the DROP

Deferred retirement option plan

An active employee member may enter into the Deferred Retirement Option Plan (the "DROP") on the first day of any month after attainment of age 50 or rule of 70 retirement and becoming eligible to receive a service retirement pension. Upon becoming eligible to participate in the DROP, an employee may elect to enter that program for a period not to exceed 36 months.

DROP participants have self-directed accounts, and the rate of return earned will therefore depend on the return of the particular accounts selected by the individuals. Once a member enters the DROP, their monthly retirement benefit is fixed, and their monthly benefit is paid into their DROP account. Upon termination of employment, the balance in the member's DROP account, including earnings, is payable to them and they also begin to receive their previously fixed monthly retirement benefit. The DROP is administered by the Plan's Board of Trustees.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 1 – Description of the Plan - continued

Other benefits

Effective November 4, 2003, a member who retires, enters the DROP, or separates from City employment and is entitled to service or disability benefits, may elect, in lieu of such benefits, a joint and contingent survivor option, at any time prior to retirement. Under the joint and contingent survivor option, the member shall receive an actuarially adjusted retirement benefit during the member's lifetime, and have the same monthly benefit (or designated percentage of 25%, 50%, 66-2/3% or 75% thereof) continued after the member's death to and for the lifetime of the member's designated joint pensioner. The election of the joint and contingent survivor option shall be null and void if the designated joint pensioner dies before the member's retirement. The value of the joint and contingent survivor option shall be actuarially equivalent to the value otherwise payable.

In the alternative and in lieu of the normal form of benefit, the member may, at any time prior to retirement, elect to receive a lifetime retirement benefit with 120 monthly payments guaranteed. If the member should die before 120 monthly payments are made, benefits will continue to be paid to the member's designated beneficiary for the balance of the 120 month period. If the retired member is living after 120 monthly payments are made, the payments shall be continued for the member's remaining lifetime.

Termination

In case of termination of the Plan, benefits accrued to members to the extent funded will be non-forfeitable.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The Plan financial statements are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized as revenues when due pursuant to actuarial valuations. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Interest and dividend income are recorded as earned.

New Pronouncements

During the year ended September 30, 2008, the Plan adopted Government Accounting Standards Board (GASB) Statement No. 50 "Pension Disclosures", (GASB 50) which amends GASB Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans", and No. 27, "Accounting for Pensions by State and Local Governmental Employers". GASB 50 requires disclosure in the notes to the financial statements of pension plans and certain employer governments of the current funded status of the plan and other actuarial information which had previously been provided as required supplementary information. The adoption of GASB 50 had an impact on the presentation of the notes to the financial statements but no impact on net assets.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 2 – Summary of Significant Accounting Policies - continued

Cash and cash equivalents

The Plan considers all money market accounts and highly liquid short-term investments with maturities of three months or less when purchased, to be cash and cash equivalents.

Investments

Investments are reported at fair value. Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of September 30. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled funds, the net asset value is determined and certified by the commingled fund manager as of September 30. Dividends and interest income are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis. Unrealized gains and losses are presented as net appreciation (depreciation) in fair value of investments on the statement of changes in plan net assets along with gains and losses realized on sales of investments.

Given the inherent nature of investments it is reasonably possible that changes in the value of those investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Risk and Uncertainties

Contributions to the Plan and the actuarial information included in the required supplementary information ("RSI") are reported based on certain assumptions pertaining to the interest rates, inflation rates and employee compensation and demographics. Due to the changing nature of these assumptions, it is at least reasonably possible that changes in these assumptions may occur in the near term and, due to the uncertainties inherent in setting assumptions, that the effect of such changes could be material to the financial statements.

Subsequent Events

Management has evaluated subsequent events through December 17, 2009, the date which the financial statements were available for issue.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 3 – Funded Status and Funding Progress

The funded status of the Plan as of October 1, 2008, the most recent actuarial valuation date, is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability AAL	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/01/08	\$ 507,363,813	\$ 683,731,944	\$ 176,368,131	74.2%	\$ 40,661,885	433.7%

The schedule of funding progress, presented as required supplementary information (“RSI”) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation Date:	October 1, 2008
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent closed
Remaining Amortization Period:	23 to 30 years
Asset Valuation Method:	Market Related Value
Actuarial assumptions:	
Investment rate of return	8.40%
Projected salary increases	4.36% - 9.67%
Includes projected payroll	3.50%
Cost-of-living adjustments	2.50%

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 4 – Contributions

Actual contributions

The actual contributions from the City of Miami Beach, and the State of Florida for active employees for the fiscal years ended September 30, 2009 and 2008, amounted to \$20,159,995 and \$17,618,045, respectively, and the actual amount of covered payroll was approximately \$50,393,000 and \$49,191,000, respectively. The contributions consisted of the following for the fiscal years ended September 30:

	2009		2008	
	Amount	Percent of Actual Annual Covered Payroll	Amount	Percent of Actual Annual Covered Payroll
City contributions	\$ 20,039,446	39.8%	\$ 17,497,496	35.6%
State of Florida	120,549	0.2%	120,549	0.2%
Total contributions from employer and other contributing entities	\$ 20,159,995	40.0%	\$ 17,618,045	35.8%
Employee contributions	\$ 5,039,349	10.0%	\$ 4,919,201	10.0%
Employee buybacks/transfers	1,503,248	3.0%	658,097	1.3%
Total contributions from employees	\$ 6,542,597	13.0%	\$ 5,577,298	11.3%

Actuarially determined contributions

The contributions required from the City, and the State of Florida for the fiscal years ended September 30, 2009 and 2008, were actuarially determined by the October 1, 2007 and 2006 valuations to be \$20,159,995 and \$17,618,045 respectively. The actuarially computed annual covered payroll used in October 1, 2007 and 2006 valuations was \$38,705,407 and \$35,354,776, respectively.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 4 – Contributions - continued

Actuarially determined contributions - continued

The required city and State contributions cover the following for the fiscal years ended September 30:

	2009		2008	
	Amount	Percent of Actuarially Computed Covered Payroll	Amount	Percent of Actuarially Computed Covered Payroll
Normal cost	\$ 10,625,787	27.5%	\$ 9,925,285	28.1%
Amortization of Unfunded liability	9,534,208	24.6%	7,692,760	21.8%
Total required from city and state	\$ 20,159,995	52.1%	\$ 17,618,045	49.9%

Note 5 – Deposits and Investment Risk Disclosures

Investment Authorization

The Plan's investment policy is determined by the Board of Trustees. The policy has been identified by the Board to achieve a favorable rate of return using both absolute and relative measures against inflation, preservation of capital and long term growth, which will keep the Plan actuarially sound. The Trustees are authorized to acquire and retain every kind of property investment.

The Plan retains investment counselors who supervise and direct the investment of the assets. The Plan requires the City of Miami Beach to be custodian of all assets. The City in turn has a custodial agreement with a trust company which provides for the custody and handling of all transactions.

The investments owned are held in a trust account in the name of the Plan but the securities are held in nominee name to facilitate trading.

Types of Investments

The Plan's investment policy allowed for investment in bonds, equities, commercial paper, savings accounts, government securities, insurance contracts of domestic corporations and bonds issued by the State of Israel as follows:

1. Time, savings and money market deposit accounts of a national bank, a state bank or a savings and loan association insured by the Federal Deposit Insurance Corporation.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 5 – Deposits and Investment Risk Disclosures - continued

Types of Investments - continued

2. Money market obligations issued by the United States Government or in obligations guaranteed as to principal and interest by the United States government.
3. Domestic and International Equities: equities defined as common stocks and issues convertible to equities, provided:
 - a. Each holding shall be listed on a major U.S. exchange.
 - b. Not more than five percent (5%) of the market value of the Plan's total assets shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company be equal to or exceed five percent (5%) of the outstanding capital stock of the company.
4. The use of un-hedged and/or leveraged derivatives will not be allowed in any form.
5. Obligations issued by the U.S. government or an agency or instrumentality of the U.S. government, including mortgage-related securities, or foreign bonds or other evidence of indebtedness denominated in United States Dollars. The U.S. government securities which may be purchased include direct obligations issued by the United States Treasury, such as Treasury bills, certificates on indebtedness, notes and bonds as well as instruments issued or guaranteed by agencies or instrumentalities of the United States government, including mortgage-related securities. Mortgage-related securities or asset-backed securities not issued by the U.S. government or an agency or instrumentality thereof may also be purchased.
6. Fixed income investments defined as preferred issues and fixed income securities provided:
 - a. All corporate debt issues (Bonds, Notes, Debentures at the time of purchase) shall be rated in the highest three (3) categories of quality by any of the following listed services: Moody's, Standard and Poors, or Fitch's Manual. Any issue which is downgraded to investment grade fourth (4th) may be held.
 - b. Any issue, if downgraded below investment grade by two (2) of the three (3) of the above mentioned ratings services must either be sold or specifically approved for retention by the Board of Trustees.
7. Money market funds, defined as fixed income securities having a maturity of less than one year, provided:
 - a. All issues shall meet or exceed Standard & Poor's A1, or Moody's P1 credit rating.
8. Bonds issued by the State of Israel.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 5 – Deposits and Investment Risk Disclosures - continued

Types of Investments - continued

9. Commingled stock, bond or money market funds whose investments are restricted to securities meeting the above criteria
10. In addition to the above, Inverness Counsel, Inc. (money manager) is subject to the following specific guidelines:
 - a. Inverness Counsel's investment in corporate common stock, convertible bonds and convertible preferred issues shall not exceed thirty-seven percent (37%) of their total fund assets at market value. Beginning July 1, 2007 Inverness Counsel's investment in corporate common stock, convertible bonds and convertible preferred issues shall not exceed forty eight percent (48%) of their total fund assets at market value.
 - b. No limitations are placed on percentage commitments to fixed income or money market investments.

The Plan's investment policy and guidelines include an addendum that allowed the Board to define a formal set of investment objectives and guidelines and procedures for management of the DROP Plan assets.

In accordance with the provisions of Florida Senate Bill 1462, no more than 25% of the Fund's total assets can be invested in foreign securities.

Florida statutes and Plan investment policy authorize the Trustees to invest funds in various investments. The current target and actual allocations of these investments at September 30, 2009 and 2008 are as follows:

Authorized investments	Target % of portfolio	2009	2008
Domestic equity	51%	48%	47%
Fixed income	35%	44%	41%
International equity	5%	4%	4%
Real estate equity	4%	3%	4%
Cash equivalents	5%	1%	4%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Plan diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer with various durations of maturities.

**City Pension Fund for Firefighters and Police Officer's
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Note 5 – Deposits and Investment Risk Disclosures - continued

Interest Rate Risk - continued

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investment by maturity at September 30:

		2009			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. agencies	\$ 48,079,615	\$ 10,694,855	\$ 27,509,198	\$ 9,875,562	\$ -
Corporate bonds	166,320,937	14,899,025	75,773,804	75,648,108	-
Total fixed income					
Securities	\$ 214,400,552	\$ 25,593,880	\$ 103,283,002	\$ 85,523,670	\$ -

		2008			
		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. agencies	\$ 61,697,272	\$ 5,047,912	\$ 41,513,838	\$ 15,135,522	\$ -
Corporate bonds	140,814,206	11,370,775	66,583,125	62,860,306	-
Total fixed income					
Securities	\$ 202,511,478	\$ 16,418,687	\$ 108,096,963	\$ 77,995,828	\$ -

**City Pension Fund for Firefighters and Police Officer's
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Notes to Financial Statements
September 30, 2009 and 2008

Note 5 – Deposits and Investment Risk Disclosures - continued

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Plan's investment policy utilizes portfolio diversification in order to control this risk.

The following table discloses credit ratings by investment type, at September 30, as applicable:

	2009		2008	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
U.S. Government Guaranteed*	\$ 48,079,615	22.43%	\$ 61,697,272	30.47%
Quality rating of credit risk debt securities:				
AAA	\$ -	-%	\$ 2,713,923	1.34%
AA+	3,096,564	1.44	-	-
AA	6,632,484	3.09	5,806,152	2.87
AA-	6,536,352	3.05	8,621,310	4.26
A+	44,647,075	20.82	37,572,633	18.55
A	63,510,290	29.63	53,956,946	26.64
A-	20,625,316	9.62	14,645,019	7.23
BBB+	9,501,894	4.43	14,465,013	7.14
BBB	5,540,922	2.58	3,033,210	1.50
BBB-	3,105,444	1.45	-	-
BB+	3,124,596	1.46	-	-
Total credit risk debt				
Securities	\$ 166,320,937	77.57%	\$ 140,814,206	69.53%
Total fixed income securities	\$ 214,400,552	100.00%	\$ 202,511,478	100.00%

*Obligations of the U.S. government or obligations explicitly or implicitly guaranteed by the U.S. government are not considered to have credit risk and do not have purchase limitations.

**City Pension Fund for Firefighters and Police Officer's
In the City of Miami Beach**
Notes to Financial Statements
September 30, 2009 and 2008

Note 5 – Deposits and Investment Risk Disclosures - continued

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer as well as maximum portfolio allocation percentages. There were no individual investments that represent 5% or more of combined plan net assets at September 30, 2009 and 2008. The cost of the investments held at September 30, are as follows:

	2009	2008
Short-term obligations	\$ -	\$ 14,982,632
Money market funds	5,046,909	7,195,145
United States Government securities	44,848,667	60,329,819
Corporate bonds	155,740,995	146,458,291
Common stocks	183,790,952	182,562,414
Mutual funds self-directed drop participants	6,427,215	5,175,487
Domestic equity fund	24,583,954	24,101,333
International equity fund	30,398,438	28,500,481
Real estate fund	22,131,813	21,132,773
	<u>\$ 472,968,943</u>	<u>\$ 490,438,375</u>

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the Plan's investment policy, the investments are held by Plan's custodial bank and registered in the Plan's name.

**City Pension Fund for Firefighters and Police Officer's
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Notes to Financial Statements
September 30, 2009 and 2008

Note 6 – Commitments

The Plan is obligated under a rental operating lease for office space, which expires on August 31, 2016. The Plan has an option to terminate the lease by September 30, 2011, per the lease agreement. The base rent for the first twelve months of the lease was \$7,355 per month. During the years ended September 30, 2009 and 2008, rent expense under the lease agreement amounted to \$106,568 and \$99,767 respectively.

The base rent increased annually by an amount equal to 4% of the prior year's base rent. The following is a schedule of the aggregate future minimum rental payments under this lease:

For the year ending September 30,

2010	\$ 99,277
2011	103,248
2012	107,378
2013	111,673
2014	116,140
2015	120,786
2016	115,149
	<hr/>
	\$ 773,651

Note 7 – Pension Plan for Employees of the Plan

As employees of the City of Miami Beach, City employees working for the Plan participate in the City of Miami Beach Employees' Retirement Plan ("retirement plan"), a single employer defined benefit pension plan for general employees established by the City of Miami Beach, Florida. The retirement plan provides retirement, death, and disability benefits to plan members and beneficiaries. The contribution requirements of plan members are mandated by Florida law. Plan members are required to contribute 8% of their annual covered payroll depending upon service class. The retirement plan issues a publicly available financial report that can be obtained by contacting Miami Beach Employees' Retirement Plan, 1700 Convention Center Drive, Miami Beach, Florida 33139.

Required Supplementary Information

**City Pension Fund For Firefighters And Police Officers
In The City Of Miami Beach**
Required Supplementary Information - Unaudited
September 30, 2009

Schedule "1" – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
10/1/03	\$410,423,595	\$ 468,290,269	\$ 57,866,674	87.6%	\$ 32,116,520	180.2%
10/1/04	418,089,222	512,038,433	93,949,211	81.7	32,725,380	287.1
10/1/05	457,680,582	551,907,648	94,227,066	82.9	31,259,918	301.4
10/1/06	470,603,144	582,016,296	114,413,152	80.9	35,354,776	315.1
10/1/07	495,993,903	632,992,587	136,998,684	78.4	38,705,407	354.0
10/1/08	507,363,813	683,731,944	176,368,131	74.2	40,661,885	433.7

Schedule "2" – Schedule of Contributions by Employer and Other Contributing Entity

Year Ended September 30,	Annual Required Contribution	Percentage Contributed
2004	\$ 9,494,091	100%
2005	11,978,155	100
2006	14,601,836	100
2007	15,231,417	100
2008	17,618,045	100
2009	20,159,995	100